

**PERPETUAL**  
EQUITY  
INVESTMENT  
COMPANY  
LIMITED

Perpetual Equity Investment  
Company Limited  
ABN 68 601 406 419

Angel Place,  
Level 18, 123 Pitt Street  
Sydney NSW 2000  
Australia  
GPO Box 4172  
SYDNEY NSW 2001  
Australia

Phone 02 9229 9000  
Fax 02 9229 9009  
[www.perpetualequity.com.au](http://www.perpetualequity.com.au)

9 March 2020

ASX Limited  
ASX Market Announcements Office  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**Perpetual Equity Investment Company Limited**  
**FY20 Half Year Results Teleconference**

Perpetual Equity Investment Company Limited (the Company) (ASX: PIC) advises that it has released the presentation for the financial year 2020 half year results teleconference (as attached).

If shareholders or other interested parties have any queries regarding the presentation, they can contact:

Karen Davis  
Senior Manager, Listed Products and Projects  
Perpetual Investment Management Limited  
P: 02 9229 9114  
E: [karen.davis@perpetual.com.au](mailto:karen.davis@perpetual.com.au)

Yours faithfully



Sylvie Dimarco  
Company Secretary  
(Authorising Officer)

**PERPETUAL  
EQUITY  
INVESTMENT  
COMPANY**

# **1H20 INVESTOR UPDATE**

---

**SIX MONTHS TO 31 DECEMBER 2019**

**9 March 2020**

# IMPORTANT NOTE

This information was prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the Manager for the Perpetual Equity Investment Company Limited (Company or PIC) ACN 601 406 419. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Company's securities To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

References to securities in this publication are for illustrative purposes only, and are not recommendations and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance.

The information in this publication is believed to be accurate at the time of compilation and is provided in good faith. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The Company, PIML nor any company in the Perpetual Group warrants or guarantees the performance of, or any return on an investment made in, the Company. Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

## YOUR PRESENTERS



### **NANCY FOX**

Chairman,  
Perpetual Equity Investment  
Company Limited



### **VINCE PEZZULLO**

Deputy Head of Equities,  
Portfolio Manager  
Perpetual Investments

## AGENDA

| Company Update

| Investment Manager Update

| Questions

PERPETUAL  
EQUITY  
INVESTMENT  
COMPANY

# COMPANY UPDATE

---

NANCY FOX



# INVESTING FOR REGULAR INCOME AND LONG-TERM CAPITAL GROWTH

## MANAGER WITH PROVEN TRACK RECORD



Immediate exposure  
to an actively  
managed portfolio of  
stocks



Flexibility to invest  
25% in global listed  
securities and  
25% in cash



A regular fully  
franked  
dividend stream and long  
term capital growth



Committed to  
transparency and  
keeping investors  
informed

### INVESTMENT OBJECTIVES

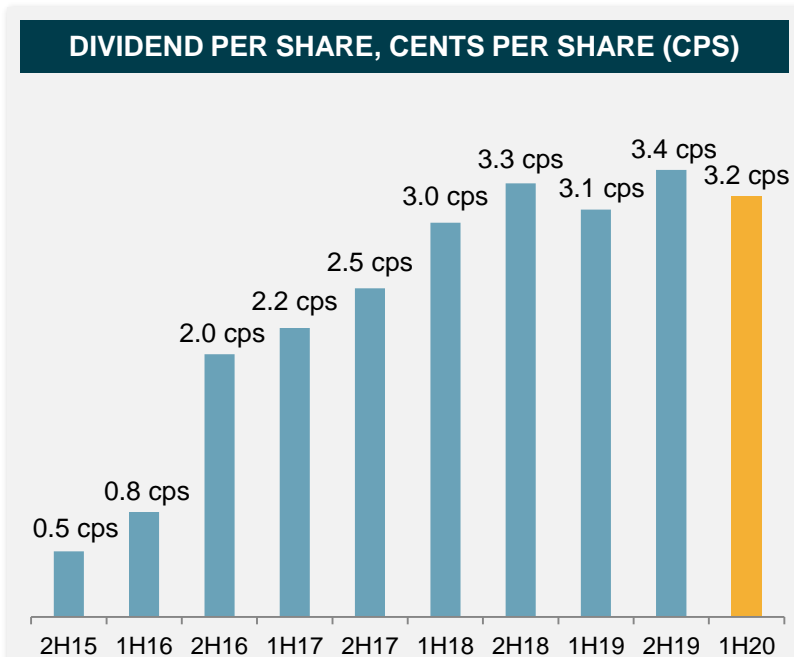
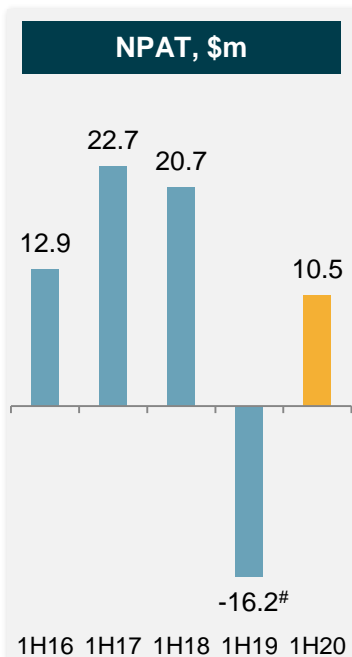
- Deliver a growing income stream
- Provide long term capital growth
- Exceed its benchmark

### PORTFOLIO MANAGER – VINCE PEZZULLO

- 20+ years in financial services industry
- Extensive domestic and global equity experience

# 1H20 RESULTS OVERVIEW

## DELIVERING A CONSISTENT FULLY FRANKED DIVIDEND STREAM



**3.2cps**

Fully franked  
interim dividend

**8.9%\***

Grossed up dividend  
yield

**\$10.5m**

Operating profit  
after tax

**\$1.110<sup>^</sup>**

Net tangible assets  
(NTA) after tax per share

Source: Perpetual Equity Investment Company Limited (PIC) as at 31 December 2019.

<sup>#</sup> Reflects predominantly unrealised losses attributed to market weakness.

\* Based on the total grossed up dividends of 9.4 cents per share (taking franking credits into account), and the closing share price of \$1.065 as at 31 December 2019.

<sup>^</sup> 'After tax' refers to tax paid and provisions for deferred tax on unrealised gains and losses of the Company's investment portfolio.

Past performance is not indicative of future performance.

# BOARD APPROACH

## OPERATING A LISTED INVESTMENT COMPANY



- Diverse board with deep experience in financial services, investment governance, risk and compliance
- Investment manager oversight
- Prudent capital management and dividend policy



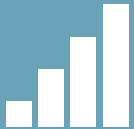
## SHAREHOLDER SERVICES



Update your preferences



Daily NTA announcement



Half year and full year financial results



Half yearly national investor presentations and broker meetings



Monthly Investment Update



Manager insights

## INVESTOR CONTACTS



Website:

[www.perpetualequity.com.au](http://www.perpetualequity.com.au)



Link Market Services:

+61 1800 421 712 (within Australia)



Investor Relations:

+61 2 9229 9114

[karen.davis@perpetual.com.au](mailto:karen.davis@perpetual.com.au)

PERPETUAL  
EQUITY  
INVESTMENT  
COMPANY

# INVESTMENT MANAGER UPDATE

---

VINCE PEZZULLO

# OUR INVESTMENT PHILOSOPHY

## QUALITY & VALUE FOCUS

### OUR INVESTMENT PROCESS:

1

Quality business

2

Conservative debt

3

Sound management

4

Recurring earnings

### THIS MEANS:



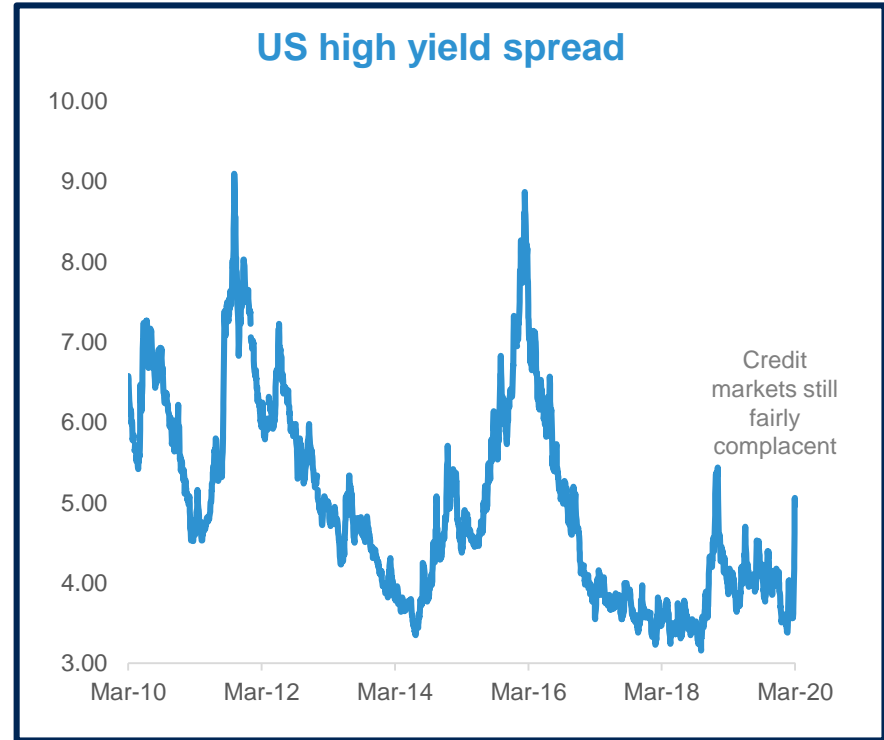
We seek quality companies  
at attractive valuations



We cautiously  
deploy your capital

# US MACRO POLICY HAS PLAYED HAVOC WITH MARKETS

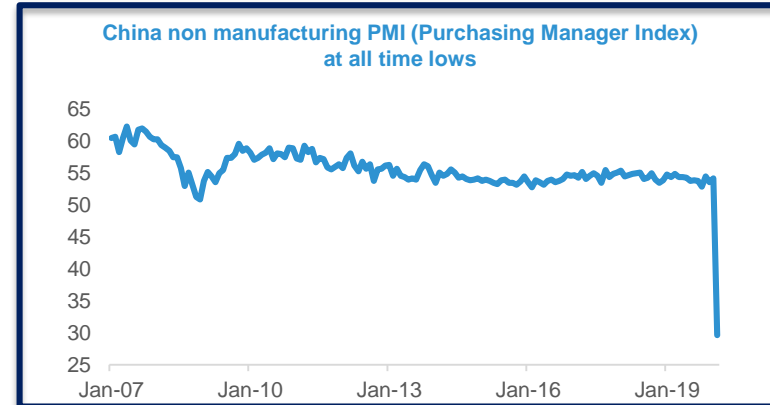
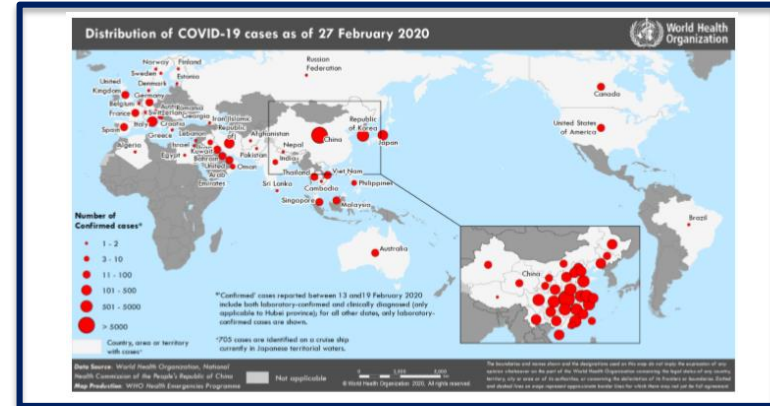
## FUNDAMENTALS HAVE TAKEN A BACK SEAT



US equity market cap reached 158% of GDP in Feb 2020 (vs 149% in March 2000)

# CORONAVIRUS: A BLACK SWAN EVENT?

- **Major correction in all global equity markets:** investors are trying to assess the impact on corporate profits
- **Supply and demand** factory closures, travel bans – real impact on global economic activity and company profits
- **Uncertainty and fear leading to indiscriminate selling** as investors look to reduce equity exposure
- **Portfolio impacts:** continuous assessment, but we have always focused on balance sheets to get through tough trading periods plus holding 12% cash to take advantage of opportunities.



# AGE OF EXTREMES IN US MARKETS PRESENT RISKS AND OPPORTUNITIES

## US: 5 largest stocks at 20 year highs



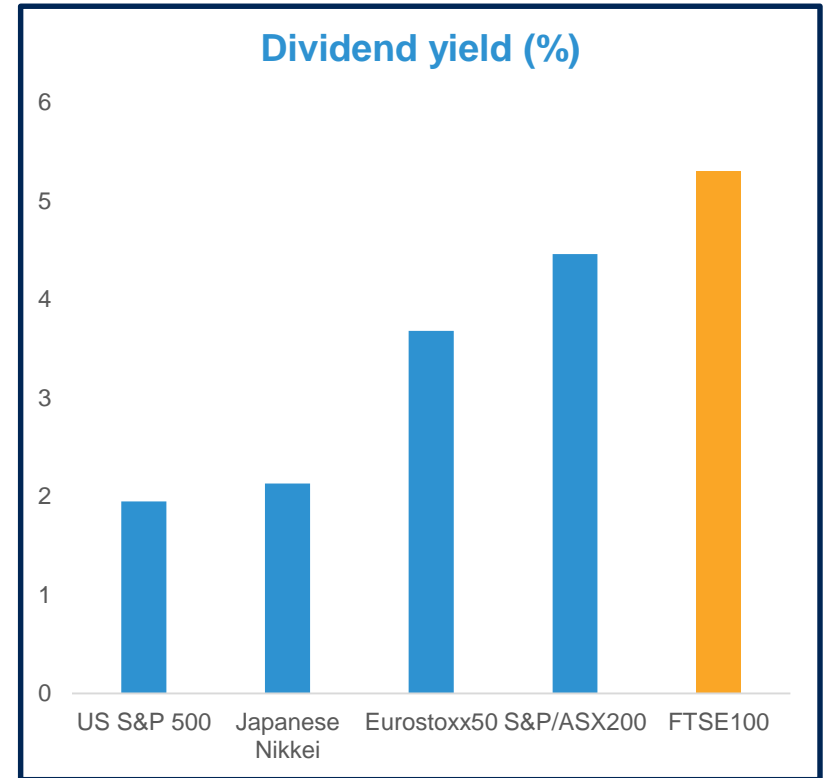
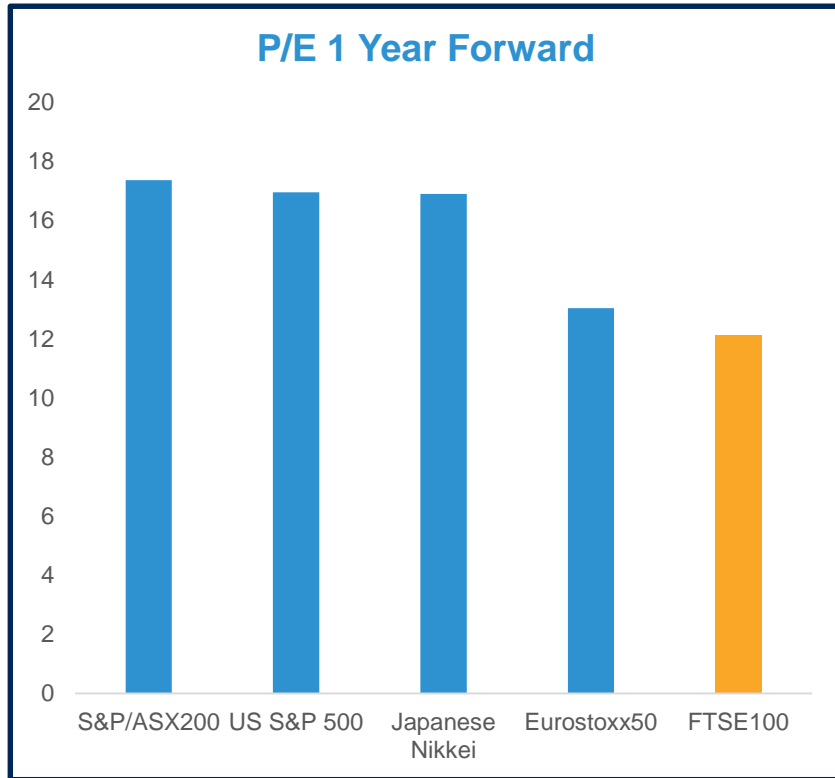
## US: Energy to S&P at 80 year lows





# THERE ARE OPPORTUNITIES IN SOME MARKETS

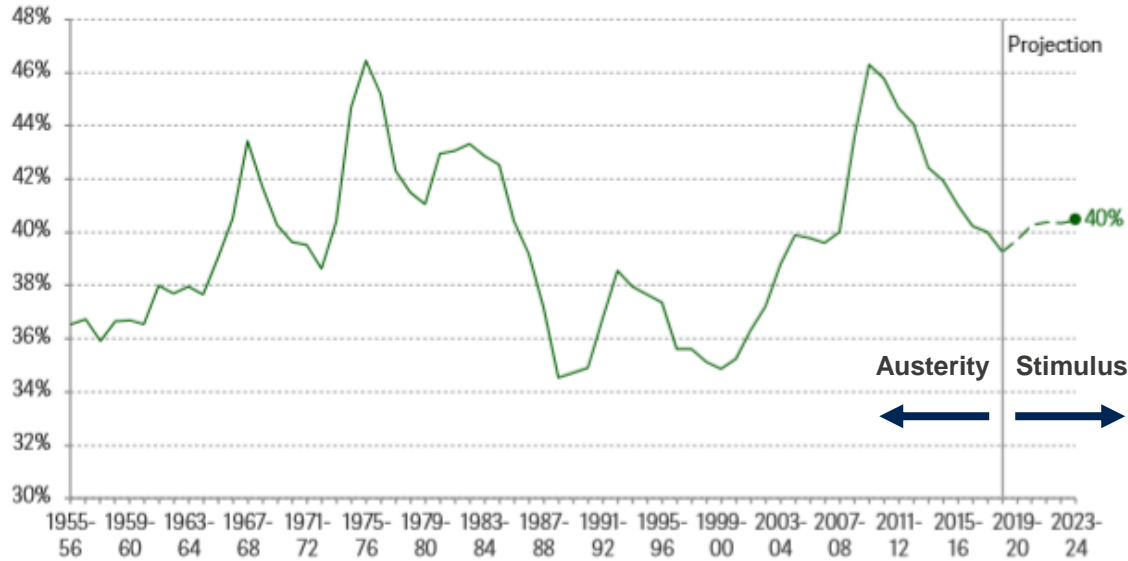
## UK LOOKS PARTICULARLY GOOD VALUE WITH HIGH YIELDS



# POST BREXIT BOOM

## PENT UP DEMAND AIDED BY FISCAL STIMULUS

### Total government spending as a share of GDP



- Brexit risk removed
- Purchasing Manager Indices have risen
- Confidence up
- Stimulus on the way
- North England focus

# BANKING SECTOR IN FOCUS

## THE OPPORTUNITY

- UK assets at cheap valuations
- Austerity giving way to stimulus
- Catalyst for growth emerging
- Balance sheets in UK are conservative
- Would benefit from consolidation

## PREFERRED EXPOSURE

- Lloyds (attractive yield, very cheap)
- Lloyds is like the CBA of the UK: the premium retail bank
- Lloyds also owns quality asset management & insurance businesses

## COMPARE THE PAIR:

Company	Price / Earnings 1 Year Forward	Price / Book	Dividend Yield
Lloyds	7.4	0.8	6.8%
CBA	16.8	2.0	5.3%

# STOCKS IN FOCUS: LA FRANCAISE DES JEUX SA (PAR: FDJ)

## SINCE IPO ON PARIS STOCK EXCHANGE



### COMPANY

- French listed lottery and sports betting operator
- 21% government owned and expected to decrease

### THE OPPORTUNITY

- 25 year monopoly licence to operate the French lotteries
- 45% market share in the French sports-betting market including exclusive license to operate off-line sports-betting
- Lottery online / digital penetration expected to increase (currently 2%), driving significant margin expansion

### WHAT WE SEE

- A net cash balance sheet (normally these infra like assets are geared)
- A solid 4% dividend backed by 5.6% free cashflow (80% payout ratio)
- Efficiencies can be made to recently privatised business

# STOCKS IN FOCUS: ELDERS (ASX: ELD)



## COMPANY

- Australian agribusiness operating since 1839
- Businesses across rural supplies, livestock & wool agency, real estate and agricultural focused financial services

## THE OPPORTUNITY

- Strong brand and diversified business
- Improved industry structure with merger of two largest competitors
- The severe drought in eastern Australian has put considerable pressure on the rural supply business
- Downgrade and share price fall created an opportunity

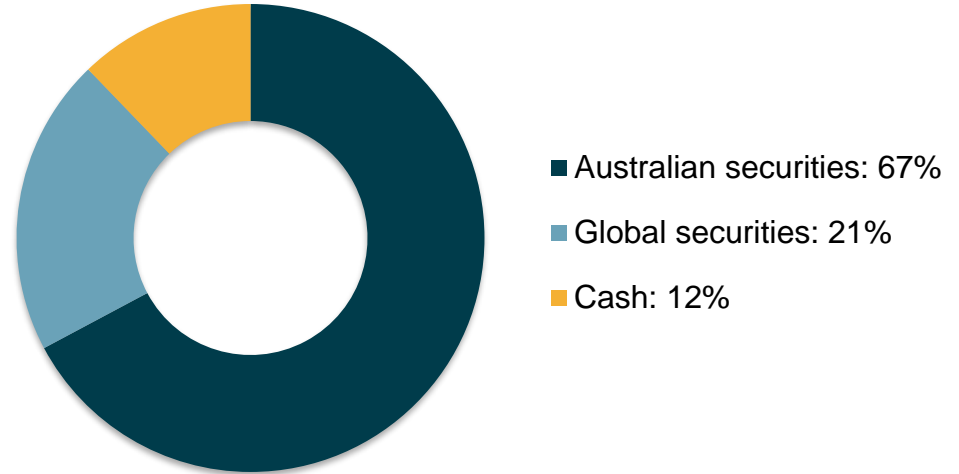
## WHAT WE SEE

- Very attractive entry point at around 9x 2021 earnings as conditions normalise
- Management focused on a smart blend of organic and inorganic growth

# ALLOCATION OF INVESTMENTS

## AS AT 31 JANUARY 2020

- 88% of the portfolio invested in equities
- Increased allocation to global equities over recent months, particularly in the UK
- Use cash to take advantage of market opportunities





# INVESTMENT PERFORMANCE

AS AT 31 JANUARY 2020

	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PIC Investment Portfolio <sup>1</sup> Net of fees, expenses and <u>before tax paid</u>	1.1%	3.9%	3.1%	14.8%	6.1%	8.4%	8.6%	8.5%
S&P/ASX 300 Accumulation Index	4.9%	6.0%	5.2%	25.0%	12.4%	12.4%	9.4%	10.7%
Excess Returns	-3.8%	-2.1%	-2.1%	-10.2%	-6.3%	-4.0%	-0.8%	-2.2%

<sup>1</sup>Returns have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends and excluding tax paid. Any provisions for deferred tax and on unrealised gains and losses are excluded. Past performance is not indicative of future performance. Inception date is 18 December 2014.

Source: Perpetual Equity Investment Company Limited

# PORTFOLIO POSITIONING

## TOP 10 STOCKS AS AT 31 JANUARY 2020



ASX:CWN



ASX: LNK



ASX: ANZ



LON: FLTR



ASX: ILU



ASX: SUN



ASX: GNC



ASX: MPL



PAR: FDJ



LON: FERG

PERPETUAL  
EQUITY  
INVESTMENT  
COMPANY

# QUESTIONS

---